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Constraints to Female Entrepreneurship in sub-Saharan Africa

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ABSTRACT:

Presented below are constraints to female entrepreneurship in sub-Saharan Africa, categorized as socio-cultural, limited enabling environments, economic, skills, access to financial and other resources, weak infrastructure, and weak business organizations.

Also included are key resources on gender dimensions of trade and entrepreneurship in sub-Saharan Africa. The last section provides USAID documentation on female entrepreneurs in the region.

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Introduction

The concept of promoting women's economic and political empowerment has gained greater attention over the past several decades. Existing literature highlights female entrepreneurs' contributions to employment creation, poverty reduction, and sustainable development. Women entrepreneurs in many developing countries, however, face a range of challenges that arise from the socio-cultural, economic, legal, political, and technological environments in which they live. Moreover, unfavorable conditions in local regulatory, normative, and cognitive systems place additional burdens on women who wish to become entrepreneurs or expand their existing businesses.

Women make up an important segment of sub-Saharan Africa's micro and small business sector (MSE). A study conducted by the African Development Bank and ILO in 2004 indicates that micro-enterprises with less than ten employees constituted over 99% of the countries' micro-, small- and medium-sized enterprises in Ethiopia, Kenya and Tanzania. Of that, the share of women business owners was reported to be roughly 65% in Ethiopia, 45% in Kenya and 43% in Tanzania. Similarly, according to a 1991 survey in Southern Africa, female entrepreneurs played a larger role in MSEs in the region, accounting for 73% of such entrepreneurs in Lesotho, 84% in Swaziland, 62% in South Africa, and 67% in Zimbabwe.

Gender, informal work, and poverty often co-exist, and the informal economy remains an important source of employment and income for women throughout the developing world. Globalization, as well as restrictive regulatory and legal environments, continues to push women (and other vulnerable groups) into self-employment in the informal sector. The vast majority of women in sub-Saharan Africa (84% of nonagricultural workers) operate in the informal sector, compared to 63% of men. In fact, sub-Saharan Africa has the highest share of women employed informally when compared to the rest of the developing world and North Africa, each having 60% and 43%, respectively. Women engaged in informal, small-scale cross-border trade, in particular, have become an economic mainstay in a number of sub-Saharan countries.

Women entrepreneurs in sub-Saharan Africa's informal sector typically are unable to achieve their productive growth potential. This is often a result of myriad constraints, some of which are based on gender, presented below.¹ Addressing gender-specific barriers to entrepreneurship and leveraging the full participation of both men and women in the development of Africa's private sector together represent a significant opportunity to unleash Africa's productive potential and to strengthen economic growth.

Constraints

Socio-Cultural:

- Women in sub-Saharan Africa contend with gender inequality, the result of patriarchal heritage.
- Female poverty. A gendered division of labor in the household, low value attached to women's work, together with simultaneous clustering of women in low-paid jobs, contribute to female poverty.

¹ It is important to note that a number of the constraints listed here pertain both to female and male entrepreneurs – i.e., complex business registration and licensing procedures, lack of skills-based training, information about markets, etc.

- Family caregiver burden, especially pertaining to elderly women and young girls, based on traditional values, norms, and life roles. This necessitates reconciling business with domestic activities.
- Lack of mobility, as a result of women's domestic responsibilities. Also, restrictions that stem from running a business out of the home, such as limited direct interaction with customers.²
- Higher percentage of women in sub-Saharan Africa infected with HIV/AIDS
- Low female representation in parliament and ministries – to ensure women's participation in decision-making that impacts gender equality

Limited Enabling Environments:

- Restrictive regulatory and legal environments – i.e., labor laws that relegate women (and other vulnerable groups) to the informal sector; high taxes; unequal property rights; and male-biased and non-transparent procurement procedures.
 - Reforms are needed in business registration to allow for joint registration so that women are equal owners of household enterprises. Because joint registration is often not practiced in many parts of Africa, in time of divorce or death of spouses, women lose the businesses they help grow.
 - Lack of strategic orientation in government policy and donor-support programs towards growing enterprises. Most resources are concentrated at the lowest end of the SME scale as a way to ease poverty, rather than contributing to the development of sustainable enterprises.
 - Generally, laws recognize and favor the large-scale trade sector, which is dominated by men as individual traders or corporations.
 - Female traders cite government inspections and police/customs roadblocks as two important obstacles to cross-border trade.

Economic:

- Low productivity of sectors in which women entrepreneurs operate (i.e., handicrafts, horticulture, etc.). Because there are low barriers to entry in these sectors, they tend to become crowded (market saturation) and there is little room for growth.
- Difficult to remain competitive in a globalized, competitive market place – this can include poor product design, not understanding the trade-related aspects of intellectual property rights, etc.
- Lack of capacity to fulfill large orders from new markets - includes lack of credit, technical skills, as well as understanding and complying with international specifications for their products.

Skills:

- Lack of skills-based training (i.e., poor recordkeeping, basic management experience and skills, market research), technical training, and relevant education – which constrains the growth potential of female entrepreneurs. Girls' and women's participation in technical vocational education remains low in many African countries.
 - There is a gender segregated approach to vocational and technical training in which girls and women are trained in traditional occupations such as knitting, cooking, etc. Skills training programs are not necessarily developed in conjunction with the labor market.

² A recent review of African MSEs indicated that 45% of female-headed micro and small enterprises were home-based, compared to 19% of male-headed micro and small enterprises.

Access to Financial and Other Resources:

- Lack of access to credit – obtaining capital, collateral, and fair lending terms is often difficult for women, who tend to apply for smaller loans that banks consider non-profitable and show little interest in.
- Lack of access to technology – i.e., the Internet, agricultural resources.
 - Improved technology for preserving and storage facilities close to market areas are also constraints related to marketing of goods.
- Lack of access to resources constrains productivity – i.e., fertilizer, chemicals for batik work, and other inputs.
- Lack of information about markets, suppliers, export opportunities, and training programs. Some women entrepreneurs become dependent on middle traders who buy their products at relatively lower than market prices.

Weak Infrastructure:

- Gender differentiated impacts of poor infrastructure on income generating activities - i.e., electricity, telecommunications, roads and transportation, water and sanitation. Collecting firewood is a predominantly female activity, as is fetching water. Women's time burden is greatly impacted, which disproportionately affects their livelihoods.

Weak Business Organizations:

- Limited access to networks and associations that serve as a forum through which women entrepreneurs can engage in dialogue with their governments on trade policy and practice, and that can provide technical assistance to support the women in capacity building.

Resources

Gender Dimensions of Cross-border Trade in the East African Community: Kenya/Uganda and Rwanda/Burundi Borders (Economic Commission for Africa, 2010)
http://www.uneca.org/atpc/Briefing_papers/01.pdf

This study draws attention to the circumstances of women traders within the context of the evolving Protocol establishing East African Customs Union. It highlights that genuine efforts towards the creation of a functional customs union must take full cognizance of the situation of women and their small-scale cross-border trade activities. Findings lay the basis for efforts by individual countries to offer concessionary facilities to women traders so that they can realize their full potential, ultimately enabling them to take advantage of the opportunities created by the Customs Union.

Promoting Women and Minorities Owned Enterprises in African Countries (2009)

<http://ajol.info/index.php/jbas/article/viewFile/47896/34266>

This paper examines the key issues relating to African women and minority-owned enterprise development in the context of its relationship with economic development. The analysis is further broadened to underscore the determinants of female entrepreneurship development and the environment conducive for its operations. In addition, the policies that are necessary to make this environment favorable, and the generic constraints faced by women, are discussed.

Women Entrepreneurs in sub-Saharan Africa: An Institutional Theory Analysis from a Social Marketing Point of View. March 2009. Amine, Lyn; Staub, Karin. *Entrepreneurship & Regional Development*, Vol. 21 Issue: Number 2, p183-211.

<http://www.informaworld.com/smpp/content~content=a909919910~db=all~jumptype=rss>

This paper takes an international marketing approach to the study of women entrepreneurs in sub-Saharan Africa by examining factors in the environments in which they operate. The goal is to understand better how environmental barriers of many types impact the efforts of women entrepreneurs.

Doing Business: Women in Africa - Case Studies of Women Entrepreneurs Across Africa Who have Overcome Legal and Regulatory Obstacles to Create New Business Opportunities (World Bank, 2008)

http://www.doingbusiness.org/documents/Women_in_Africa.pdf

This report focuses on women entrepreneurs from Cameroon, Rwanda, Senegal, South Africa, Swaziland, Tanzania, and Uganda. It looks in-depth at individual businesswomen who have faced legal and regulatory obstacles in each of these countries.

Assessing the Enabling Environment for Women in Growth Enterprises: An AfDB/ILO Integrated Framework Assessment Guide (2007) http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_116163.pdf

This guide assesses the environment for Growth-Oriented Women Entrepreneurs (GOWEs), for the purpose of identifying critical forms of support that can enable women to grow and expand their enterprises, and in the process to create jobs and income for themselves and others. The guide also aims to highlight critical areas where AfDB, ILO and other development partners can provide assistance and strategic tools to African countries to enable them to promote, nurture and develop women's entrepreneurship.

Gender, Entrepreneurship, and Competitiveness in Africa (World Bank, 2007)

<http://www.businessgrowthinitiative.org/KeyPracticeAreas/Documents/Gender,%20Africa%20and%20Entrepreneurship.pdf>

This chapter aims to shed light on the nature of men's and women's enterprises in Africa, to assess the extent to which the constraints and obstacles faced by female and male entrepreneurs may differ, and to address whether the constraints and obstacles entrepreneurs face affect the productivity and performance of men's and women's businesses differently. It concludes with some recommended actions to address the gender dimensions of entrepreneurship more systematically in policy and programs aimed at supporting private-sector development, along with suggestions for further data collection and analysis.

Access to Finance for Women Entrepreneurs in South Africa: Challenges and Opportunities (IFC, 2007)

http://www.gcqf.org/ifcext/africa.nsf/Content/Access_to_Finance_Report

This study highlights black women as the most entrepreneurial segment of the population, yet they are least likely to have access to finance—currently only 38 percent of them do have access to finance, compared to 96 percent of white women.

South African Women Entrepreneurs: A Burgeoning force in our economy. A Special Report 2005 (Department of Trade and Industry, South Africa)

<http://www.dti.gov.za/sawen/SAWENreport2.pdf> (pages 10+)

This study aims to provide information for the program strategies and influence policy-making within the GWE Unit and SAWEN; enhance understanding of the profile of female entrepreneurs in South Africa; examine the contextual influences on their work; raise the level of awareness of

women entrepreneurs amongst all economically active agents; and contribute to, or influence, economically influential sectors of society, be it directly or indirectly.

Women Entrepreneurs in the Gambia: Challenges and Opportunities (University of Reading School of Business, 2007)

<http://www.eldis.org/go/country-profiles&id=46828&type=Document#.UT34r5jA8Y1>

This article reviews the literature on women entrepreneurs in developing countries and presents evidence from a case study undertaken during 2001 and 2002 in Gambia examining the challenges facing women entrepreneurs in the small enterprise sector.

Women Informal Traders in Harare and the Struggle for Survival in an Environment of Economic Reforms (Nordiska Afrikainstitutet, 2001)

<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&id=95532>

This paper highlights a study to assess the impact of Zimbabwe's first phase of economic reforms (ESAP) on informal traders who carry out a variety of trading activities in the greater Harare area and in particular to assess the survival or coping strategies adopted by these women.

Promoting Women's Economic Empowerment in Africa (AfDB, no date)

<http://www.uneca.org/aec/documents/Yeshiareg%20Dejene.pdf>

This paper examines the gender differentiated growth patterns and constraints to growth of women's and men's small scale enterprises. It briefly presents the various gender-related obstacles to the growth of women's enterprises and proposes policy and legal reforms to bring about change in women's access to assets. It also emphasizes the need to look at promoting women's economic empowerment from a multi-sectoral perspective and the need to integrate various economic, social and cultural elements in developing projects that seek to develop medium-sized enterprises (MSEs). Moreover, it highlights the need for the poverty reduction initiatives to target beyond increasing household income and reducing poverty and seek the growth of MSEs.

USAID Documentation

Growth through Engendering Enterprise in ECOWAS Countries (ECOGEE)

A component of Building Trade Capacity in West Africa Cooperative Agreement No. 688-A-00-02-00064-00 Final Report (2005) http://pdf.usaid.gov/pdf_docs/PDACF614.pdf

Run My Own Business? Yes, I Can! Starting and Operating a Woman-Owned Business in Ghana (2005) http://pdf.usaid.gov/pdf_docs/PNADE161.pdf

Run My Own Business? Yes, I Can! Starting and Operating a Woman-Owned Business in Nigeria (2005) http://pdf.usaid.gov/pdf_docs/PNADE164.pdf

Run My Own Business? Yes, I Can! Starting and Operating a Woman-Owned Business in Sierra Leone (2005) http://pdf.usaid.gov/pdf_docs/PNADE166.pdf

Policy and Regulatory Constraints to Emerging Entrepreneurs in Agribusiness in South Africa – Report on a Project for Agrilink II (2003)

http://pdf.usaid.gov/pdf_docs/PNACT900.pdf

Selling to Eat: Petty Trade and Traders in Peri-Urban Areas of sub-Saharan Africa (1999)
Research Paper prepared for the Broadening Access and Strengthening Input Market Systems-
Collaborative Research Support Program (BASIS-CRSP)
http://pdf.usaid.gov/pdf_docs/Pnacl390.pdf

Micro and Small Enterprises in Kenya: Agenda for Improving the Policy Environment
(1999) No PDF file available

**Empowering Women and Coping with Financial Crisis: An Exploratory Study of
Zimbabwean Entrepreneurs** (1997) http://pdf.usaid.gov/pdf_docs/PNACP107.pdf

Final Report: Study on the Assessment of Women Exporters in Ghana (1994)
http://pdf.usaid.gov/pdf_docs/PNABT035.pdf

Evaluation: Women Entrepreneurs and Management Training Project Phase II (1994)
http://pdf.usaid.gov/pdf_docs/PDABJ621.pdf

The Growth and Dynamics of Women Entrepreneurs in Southern Africa (GEMINI Technical
report, 1992) http://pdf.usaid.gov/pdf_docs/PNABM324.pdf

**Consultancy Report for Women in Business Association of the Botswana Confederation
of Commerce, Industry and Manpower: Business Women in Botswana – Strategies for
Change** (1992) http://pdf.usaid.gov/pdf_docs/PNABP363.pdf

Women who are Making a Difference in Swaziland (1992)
http://pdf.usaid.gov/pdf_docs/PNABQ016.pdf

Survey of Women-Owned Micro and Small Enterprises in Rwanda (1992)
http://pdf.usaid.gov/pdf_docs/PNABK364.pdf

Gender and the Growth and Dynamics of Microenterprise (1990)
http://pdf.usaid.gov/pdf_docs/PNABG351.pdf

Small Scale Enterprises in Niger – Survey Results from Dosso and Maradi Departments
(1990) http://pdf.usaid.gov/pdf_docs/PNABG990.pdf

Mainstreaming Women in Enterprise Development (1990)
http://pdf.usaid.gov/pdf_docs/PNABG480.pdf

Mali – Women in Private Enterprise – Final Report (1989)
http://pdf.usaid.gov/pdf_docs/PNABD940.pdf

Women and the Industrial Development Decade in Africa (1986)
http://pdf.usaid.gov/pdf_docs/PNABE312.pdf

Rural Small Scale Enterprise in Zambia: Results of a 1985 Country-wide Study (1986)
http://pdf.usaid.gov/pdf_docs/PNAAZ102.pdf

Women and the African Enterprises Program (1978)
http://pdf.usaid.gov/pdf_docs/PNAAW957.pdf

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